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NATIONAL INTELLIGENCE DAILY CABLE

Thursday April 28, 1977

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State Dept. review completed

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Thursday, April 28, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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ZAIRE: Situation Report

25X1 [] Zairian government forces are continuing to meet almost no resistance as they advance westward from Mutshatsha. Press reports indicate that there were few signs of fighting in Mutshatsha, reoccupied by Zairian troops earlier this week, and the joint Zairian-Moroccan advance apparently is being slowed only by Katangan mines.

25X1 [] The US embassy in Kinshasa reported yesterday that units of the government task force had reached the Mukuleshi River, where bridges were said to be intact. If the Katangans continue to abandon their positions, government troops probably could be in Dilolo within a few days.

25X1 [] The Katangans may also be withdrawing from the Kafakumba area, where scattered fighting had been reported over the past week. Government troops, recently reinforced from Kamina, now appear ready to move toward Sandoa, one of the first towns occupied by the Katangans.

25X1 [] To the north, government forces reportedly are advancing slowly on both sides of Kapanga, another town occupied early in the invasion. []

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PAKISTAN: Situation Report

25X1 [] The Pakistani military's public expressions of support for Prime Minister Bhutto may have moved the opposition closer to accepting his latest proposal for ending the nation's political crisis. One opposition spokesman told the press that Bhutto's offer, conveyed in a meeting with opposition leaders, deserved consideration. This was the most favorable response any of Bhutto's proposals have received.

25X1 [] Yesterday, the three service commanders and the chairman of the joint chiefs issued a statement "to say in clear terms" that they would "fulfill their constitutional obligations of serving the present government, which has been legally constituted."

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25X1 [] A further indication of military backing for Bhutto was General Tikka Khan's acceptance of the post of minister of state for defense. Bhutto will remain defense minister, but Tikka, the former army commander, will probably have most of the responsibilities associated with the ministry.

25X1 [] Tikka probably has more personal influence in the military than the present service commanders. Once again in the chain of command, Tikka probably would be more effective than the other military leaders in uniting the military for any political action.

25X1 [] Although he has tried to avoid political involvement in the past, he has also shown a willingness to take strong and even unpopular action when he thought it necessary. Tikka earned international notoriety while trying to suppress the rebellion in East Pakistan--now Bangladesh--in 1971.

25X1 [] The army clearly is far more interested in avoiding the need to intervene than it is in keeping Bhutto in power, and its expressions of support for the government were probably designed to influence the opposition.

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25X1 [] //At least some opposition leaders are opposed to a confrontation with the army. With the army expressing support for Bhutto, they might now be willing to settle for an honest National Assembly election in the near future. If the opposition wins the election, as they expect to do, Bhutto would have to step down anyway.// 25X1 []
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ETHIOPIA: Situation Report

25X1 [] Almost all US citizens attached to the agencies closed by the Ethiopian government left the country by air yesterday without major incident.

25X1 [] In accordance with the Ethiopian decision to extend the departure deadline until Saturday, a few US officials will remain in Addis Ababa and another group will stay on in Asmara to ship some sensitive equipment from Kagnev communications station on Friday. Some equipment at Kagnev can only be accommodated by C-5A aircraft, but the Ethiopians have so far refused permission for C-5A flights to Asmara.

25X1 [] Ethiopian officials dealing with the evacuation are generally cooperative, but the press has kept up its anti-US theme in an effort to justify the expulsion. Press reports have included allegations of US and CIA involvement in "irregular activity" and cooperation with "reactionary" Arab countries trying to bring down the regime. An Ethiopian delegation visiting West Africa has repeated these themes.

25X1 [] The government is expected to continue to protect the remaining US citizens. The hostile atmosphere, reinforced by the closure of the US agencies and the media campaign, will make it difficult for US representatives to perform their jobs and could lead to anti-US incidents.

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[REDACTED]

PANAMA-LIBYA: State Visit

25X1 [REDACTED] Panamanian Chief of Government Torrijos' five-day state visit to Libya earlier this month generated some rhetorical flourishes and four communiques but produced few firm commitments from either side. Torrijos, who was widely believed to have sought major assistance for Panama's faltering economy, has emphasized the benefits of "revolutionary solidarity" over monetary gain since his return, but his performance has been defensive. On balance, his Libyan venture appears to have bought him little financial or political capital.

25X1 [REDACTED] Initial press speculation in Panama that Libya would offer generous financial assistance was not borne out. The two countries exchanged most-favored-nation trade status, agreed to cultural exchanges, and pledged general economic, commercial, and technological cooperation. Panama did "offer" export products to Libya and "invited" Libyan participation in assorted commercial and industrial ventures.

25X1 [REDACTED] The Libyans, although "expressing interest" in "economically feasible" projects, made a firm commitment only to send a delegation to Panama to study possible projects.

[REDACTED]

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25X1 [REDACTED] On the political side, the final communique contained mutual pledges of solidarity but was in general carefully worded. It probably reflected Torrijos' caution; he is wary of the sensitivities of the US and of Panama's influential Jewish community. In exchange for Qadhafi's backing on the canal issue, Torrijos supported Arab unity and condemned all forms of racism and colonialism but did not take sides in the Arab-Israeli dispute.

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[redacted] Torrijos had to defend his trip from the outset against criticism that a globe-trotting jaunt with a large delegation was inconsistent with the regime's message of austerity at home. After the trip, he denied that he went to Libya for money and has highlighted the increased support for Panama's cause in the Arab world. The government-controlled press has defended the diplomatic objectives of the trip as being more important than any monetary gain.

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[redacted] Although Panama received little financial assistance from Libya, the country's immediate financial problems apparently will be eased by a \$100-million loan, primarily from US banks, in the final stages of negotiation. A loan of this size would relieve Panama of its immediate payments problems and allow it to avoid debt rescheduling for at least a few months.

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USSR-INDIA: Gromyko's Visit

25X1 [] *The communique issued yesterday at the end of Soviet Foreign Minister Gromyko's three-day visit to India suggests that his visit went fairly smoothly.*

25X1 [] The Soviet leadership will welcome the public reaffirmation by India's new leaders of their willingness to work for even better Soviet-Indian relations. Moscow probably is happy too that India, in the final communique, continues to support some pet Soviet foreign policy proposals, particularly in the disarmament area.

25X1 [] The Indians, though anxious to make their foreign policy more genuinely nonaligned, still want Soviet economic and military aid and welcome Moscow's willingness to honor economic commitments made to the government of former prime minister Gandhi.

25X1 [] According to Indian sources, the USSR agreed to provide \$66 million over the next 20 years to upgrade Indian coal and steel industry technology, undoubtedly at Soviet-built facilities. The agreement probably reallocates some of the large outstanding Soviet credits under old agreements and may relate to Soviet-Indian plans to collaborate on heavy industrial projects in third countries.

25X1 [] Moscow also reiterated its commitment to barter 1 million tons of crude oil this year for Indian products. The agreement will save New Delhi about \$100 million in hard currency and push trade up to the \$1.3-billion mark this year.

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LONDON ECONOMIC SUMMIT: Italy

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 *//This is the third in a series of articles examining the different points of view of the major developed countries participating in the London Economic Summit on May 7 and 8.//*

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 *//Italy, in tenuous political and economic circumstances, which weaken its bargaining position, will try to maintain a low profile at the summit in London. Wherever possible, Rome will blend in with the majority opinion; when two major powers disagree, the Italians will try to steer a middle course to avoid antagonizing either.//*

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[] //Italian Prime Minister Andreotti will be preoccupied before the summit with political maneuvering aimed at extending the life of his fragile Christian Democratic minority government. The Communist Party, whose parliamentary abstention is crucial to the government's survival, is pressing for additional political concessions as the price for further cooperation. The Communists want at least a more institutionalized role in government policymaking along with some action--such as a cabinet shuffle bringing in more technocrats trusted by the left--that would guarantee the implementation of government policies.//

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[] //Andreotti is inclined to seek agreement with the Communists, but some in his party are arguing that making more concessions would be at odds with the Christian Democrats' repeated pledge to resist Communist advances toward government membership. In the end, the Christian Democrats will probably have to accommodate the Communists, since Andreotti still has no realistic alternative to depending on them.//

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[] //At the summit Italy will seek a precise and strongly worded commitment from the US, West Germany, and Japan to achieve economic growth rates forecast for them. Forced by high inflation and balance-of-payments pressures to restrain internal demand, Rome sees export expansion as its only safe road to prosperity and jobs. Italian policy makers are concerned that the current rate of growth in world output is too sluggish to support continued rapid expansion in world trade volume.//

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[] //The Italians may lie low during discussions about anti-inflationary policies. They fear they will be pressed to deal more aggressively with the politically dangerous issue of wage reform. Rome will participate actively in talks on youth unemployment, which it views as one of its most pressing social issues; the Italians might even request international funding or coordination of youth employment programs.//

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[] //Dependent on exports to buoy domestic growth, the Italians will seek a forceful condemnation of trade protectionism. Italy occasionally imposes thinly disguised trade controls itself, but traditionally has been a strong advocate of trade liberalization. Rome probably would support swift completion of the Multilateral Trade Negotiations.//

25X1 [] //The Italians support proposals for industrial tariff harmonization because they would like to reduce tariff rates on certain US-manufactured goods; they are especially loath to discuss export subsidies because they have a vast system of state enterprises.//

25X1 [] //Contention may arise around Italy's recent request that the European Community provide greater "antidumping" protection against US and Japanese chemical products. The Italians are advocating a new customs system for chemicals similar to US tariff arrangements to raise import prices to domestic levels.//

25X1 [] //Since their latest borrowing of \$530 million will exhaust their regular credit reserve at the International Monetary Fund, the Italians will heartily endorse proposals to supplement the Fund's borrowing arrangements. They might also suggest that the IMF show more flexibility in setting loan conditions. Rome also conceivably could advocate new monetary arrangements whereby gold--which it possesses in substantial reserves--can be exchanged for liquid assets.//

25X1 [] //With no expandable domestic energy sources and a nuclear program mired in problems concerning selection of sites and financing, Rome has little hope of reducing energy imports any time soon. The Italians would probably agree to set targets for reducing dependence on oil only in return for international financial support for their nuclear program.//

25X1 [] //Italy is unlikely to endorse plans to increase coal utilization. With domestic coal as scarce as oil, coal usage offers little to Italy in terms of import substitution. Recent energy policy has been to discourage use of coal and favor use of natural gas. The Italians see plutonium reprocessing and fast breeder reactors as a vital sequel to their conventional nuclear program and will probably join the other West Europeans in opposing any US attempts to halt reprocessing of US uranium.//

25X1 [] //Italy's eagerness to maintain good relations with the developing countries will color its position on North-South issues, and Rome will look favorably upon commodity support proposals. The Italians, however, will stick close to their EC partners on commodity issues and would probably balk at making any commitments to raise aid volume because of their own financial problems. []

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PORTUGAL: Building NATO Brigade

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[redacted] //Most NATO members have made token commitments to help Portugal form a NATO-assigned infantry brigade, but more tangible assistance will be needed to reinforce the image of Alliance solidarity and to quiet Portuguese opponents of NATO. The Portuguese hope the brigade can assume its role as a reserve force for NATO's southern region by 1980.//

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[redacted] During a recent meeting of an ad hoc group that discusses military assistance to Portugal, NATO representatives outlined their countries' planned contributions. West Germany reaffirmed its intention to provide about \$10 million worth of aid, including 17 early-model M-48 tanks--possibly with new guns--a number of artillery pieces, and various other surplus items. Canada and Norway agreed to contribute small amounts of older equipment, such as mortars, rocket launchers, and recoilless rifles; and the UK promised reconnaissance boats and floating bridges.

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[redacted] Other West European representatives supported the assistance program in principle but promised nothing more than advisers. Only the Dutch representative refused to promise any military assistance, ostensibly because of government policy restrictions.

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[redacted] //Portugal's armed forces, debilitated by long colonial wars in Africa and domestic politics, desperately need modernization. They also are seeking to reorient themselves to a European mission. The creation of the NATO brigade with some 4,800 men will not significantly affect the military balance of power in Europe, but it will be an important symbol of Portugal's full political and military integration into NATO.//

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UK: Drooping Political Fortunes

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[redacted] //The British Labor government's drooping political fortunes are not likely to be improved by the results of two parliamentary by-elections today nor by next week's local elections. Despite the anticipated setbacks, Labor is in no

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immediate danger of falling from power. Indeed, a poor showing by both Labor and its Liberal Party ally would give them more reason to stick together in Parliament in order to prevent an early election.//

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[] //The opposition Conservatives are likely to pick up the parliamentary seat held by the late foreign secretary Crosland in one by-election. Labor will probably hold the other seat at stake, which the Labor candidate won by almost 23,000 votes in the last general election. The margin, however, is likely to be cut substantially because of general unhappiness with Labor's handling of the economic situation. Unemployment remains high, and the government is asking trade union members to accept a third year of wage restraint at a time when their real wages are falling.//

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[] //Next week's local elections are likely to be equally disappointing to Labor Party leaders. In Scotland, the Scottish Nationalists are expected to continue making deep inroads in an area of traditional Labor strength.//

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[] //Labor can at least have one satisfaction; the Nationalists who are likely to be elected to local posts in Scotland will have to share responsibility for correcting such problems as urban decay in Glasgow rather than sit on the sidelines criticizing Labor council members. As the Nationalists assume responsibility for governmental decisions, their ideological differences are likely to be exposed; thus far the urban and rural Nationalists have suppressed their differences to conduct a campaign for greater Scottish autonomy and independence.//

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[] //In England and Wales, the Tories will make gains that will appear large because of the Conservatives' poor performance during the local elections in 1973 when the low standing of the Heath government helped many Labor and Liberal candidates. Labor also is likely to lose votes to right-wing National Front candidates espousing a blatantly racist line. The Front is contesting all but one seat on the Greater London Council and hopes to poll 100,000 votes.//

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[] //Moreover, speculation that the government is going to shelve plans for Welsh home rule is likely to hurt Labor candidates in parts of Wales.//

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[redacted] //Although local election results are a barometer of the national political mood, they should not be relied upon too heavily in forecasting the outcome of a general election. The turnouts for local elections are generally lower than for a national ballot, when many who vote in protest or boycott local elections revert to traditional loyalties. The Labor Party hopes that the bulk of its supporters, who have yet to be convinced that the Tories under Margaret Thatcher have much sympathy for working-class aspirations, would again support Labor in a national election.

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